IPHCA
Illinois Primary Health Care Association

Community Health Centers and Health Reform

Summary of Key Health Center Provisions

On March 18, 2010, the House released the text of the Reconciliation Act of 2010, which makes changes to H.R. 3590, the Senate-passed Patient Protection and Affordable Care Act. Taken together, the Reconciliation Act and H.R. 3590 are considered the health care reform package. There are numerous provisions in health reform that impact community health centers both directly and indirectly. The summary below highlights key provisions of health reform that encourage the growth and sustainability of community health centers.

Community Health Centers and National Health Service Corps Trust Fund

- **$11 Billion for Health Center Program Expansion- Beginning in FY2011**
  The health reform package contains a total of $11 billion in *new* funding for the Health Centers program over five years. $9.5 billion of this funding will allow health centers to double their operational capacity to serve 40 million patients (2 million in Illinois) and to enhance their medical, oral, and behavioral health services. $1.5 billion of this funding will allow health centers to begin to meet their extraordinary capital needs, by expanding and improving existing facilities and constructing new sites.
- **$1.5 Billion for the National Health Service Corps**
  The health reform package also includes $1.5 billion over five years for the National Health Service Corps, which will place an estimated 15,000 primary care providers in provider-short communities. The bill also makes programmatic improvements to the Corps.

Medicaid Expansions

- **Expands Medicaid to 133% of the Federal Poverty Level (FPL) in FY2014**
  Expands Medicaid to 133% of FPL in FY2014, without any categorical restrictions, newly insuring 16 million Americans – 700,000 in Illinois.

Payment Protections and Participation in the Exchange

- **Requires that health centers receive no less than their Medicaid PPS rate from private insurers offering plans through the new health insurance exchanges**
  The health reform package aligns health center payment within private insurance plans with reimbursement under the Medicaid program to ensure that Federally Qualified Health Centers (FQHCs) do not lose revenue when they treat patients insured under the new Exchange-based plans. The new health reform law requires that, starting in 2014 when insurance exchanges are operational, health centers receive no less than their Medicaid PPS rate from private insurers offering insurance plans through the new exchange.
- **Requires private insurers offering plans through the health insurance exchanges to contract with health centers**
  The health reform package also includes a provision that mandates full participation by safety-net providers in Exchange plans, requiring Exchange plans to contract with all safety net providers. Safety net providers are defined in the new law as those eligible to participate in the 340B drug discount program – including all FQHCs and other entities that serve predominately low-income, medically underserved individuals. This requirement will ensure that as uninsured patients gain coverage through the new insurance Exchanges, the plans covering them will not exclude those low-income communities and individuals most in need of access to care.

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FQHC Prospective Payment System

What is the FQHC Prospective Payment System (PPS)? Established by federal law in 2001, the PPS establishes a minimum Medicaid per visit rate for services provided by Federally Qualified Health Centers (FQHC). This payment baseline establishes a unique payment rate for each FQHC. In Illinois, the rate is based on the average of each FQHC's FY2002 and FY2003 reasonable costs per visit and adjusted each year by the Medicare Economic Index (MEI) for primary care.[1] It can also change if there is a change in the FQHC scope of service.

States can use an alternative payment methodology. However, this methodology must be agreed to by both the health centers and the state to provide adequate reimbursement in a way that works for the health centers and Medicaid, and must be at least as much as PPS.

Are all payers required to reimburse FQHCs based on PPS? Federal law requires Medicaid and the Children's Health Insurance Program (CHIP) to pay based on PPS.[2] Beginning in 2014, the same requirement will apply to private insurers selling health plans through state-based insurance exchanges.[3]

Why do FQHCs get a different rate than other providers? Congress and states have long recognized the critical need for fair and adequate payment for health center services. When health centers are adequately reimbursed for providing Medicaid services, federal grant funds are not forced to subsidize these Medicaid services. Today, health centers provide health care homes to over 1 million patients in Illinois regardless of an individual's ability to pay. Currently, 51% of those patients are enrolled in Medicaid, All Kids or Family Care.

Health center reimbursement under PPS is intended to cover their comprehensive services, including dental, mental health, and pharmacy, as well as their programmatic requirements to provide enabling services that facilitate access to care and motivate healthy behaviors, such as care management, insurance enrollment assistance, transportation, translation, and health education. **These services keep patients out of the emergency room and help prevent hospitalizations and hospital readmissions.**

What is the Payoff for State Medicaid Programs? Health centers provide care in an efficient, accountable and cost-effective way, generating massive savings to states. Nationwide, **FQHCs save Medicaid up to 30-33% in annual spending per patient due to reduced specialty care referrals and fewer hospital admissions and emergency room visits.**[4]

Adequate reimbursement is critical for health centers to meet the health care needs of their growing patient base, both Medicaid and uninsured, and address ballooning health care costs. Health centers will **save up to $122 billion in total health care costs between 2010 and 2015.** State Medicaid programs **will save over $22 billion** in that same time period.[5]

What is the impact on the Illinois' health care system? For the past 45 years, Congress has consistently invested in health centers to meet the increasing demand for high quality, cost effective care. The Prospective Payment System is a means of protecting that investment to ensure the financial viability of health centers to grow their capacity and sustain their operations – especially important as Illinois health centers prepare to accept an additional 1 million patients by 2015.

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1 Public Law 106-554
2 The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) established PPS for health centers in CHIP
3 Public Law 111-148
4 NACHC, Health Centers and Medicaid, August, 2008.
5 Ku et al. Using Primary Care to Bend the Curve: The Effect of National Health Reform on Health Center Expansions. Geiger Gibson/RCHN Community Health Foundation. June 30 2010. Policy Research Brief No. 19

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